

Message Text

CONFIDENTIAL

PAGE 01 KATHMA 04340 01 OF 02 301220Z

43

ACTION NEA-10

INFO OCT-01 ISO-00 CIAE-00 DODE-00 PM-04 H-02 INR-07 L-03

NSAE-00 NSC-05 PA-01 PRS-01 SP-02 SS-15 USIA-06 AID-05

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XMB-02 OPIC-03 /093 W

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P R 301025Z SEP 75

FM AMEMBASSY KATHMANDU

TO SECSTATE WASHDC PRIORITY 3023

INFO AMEMBASSY NEW DELHI

C O N F I D E N T I A L SECTION 1 OF 2 KATHMANDU 4340

E.O. 11652: GDS

TAGS: OVIP, PFOR, PINT, NP, US (ARYAL, KRISHNA RAJ)

SUBJECT: FOREIGN MINISTER'S VISIT TO WASHINGTON: CURRENT

POLITICAL SITUATION

1. SUMMARY. ALTHOUGH THE ATMOSPHERE IN KATHMANDU THIS FALL CONTINUES TO BE MARKED BY CONSIDERABLE UNCERTAINTY ABOUT THE ECONOMIC AND POLITICAL FUTURE, THERE DOES APPEAR TO BE GREATER CONFIDENCE AND SENSE OF DIRECTION THAN EXISTED EVEN THREE MONTHS AGO. THE PALACE HAS MOVED TO OPEN A DIALOGUE WITH INDIA IN AN EFFORT TO ASSURE THE REGIONAL STABILITY WITHIN WHICH THE MASSIVE

ECONOMIC PROBLEMS BESETTING THIS SMALL KINGDOM CAN BE TACKLED. NEPAL CONTINUES TO ATTACH IMPORTANCE, BUT WITH A PRIVATELY EXPRESSED SENSE OF IRRITATION, TO ITS ASSOCIATION WITH THE NON-ALIGNED. INTERNALLY, THE KING HAS TAKEN A NUMBER OF MEASURES TO REASSERT HIS CONTROL OVER POTENTIAL DISSIDENT ELEMENTS, INCLUDING THE PRESS, STUDENTS AND POLITICAL OPPOSITION. THE STATE OF EMERGENCY IN INDIA HAS ENCOURAGED THIS MORE AUTHORITARIAN TREND IN NEPAL, HAS HAD A DECIDEDLY RESTRAINING IMPACT ON THE MOVE FOR CONSTITUTIONAL REFORM, AND HAS DONE MUCH TO REDUCE GON FEARS THAT POLITICAL EXILES IN INDIA WILL BE USED AS A POLITICAL WEAPON AGAINST THE REGIME. THE GON CONTINUES
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PAGE 02 KATHMA 04340 01 OF 02 301220Z

TO VIEW ITS U.S. RELATIONSHIPS AS IMPORTANT AND SATISFACTORY.

END SUMMARY.

2. THE INDIA RELATIONSHIP RIGHTFULLY REMAINS NEPAL'S CHIEF CURRENT CONCERN IN FOREIGN AFFAIRS. THE GON HAS LAID WHAT IT BELIEVES TO BE A GOOD GROUNDWORK FOR THE FORTHCOMING TALKS WITH INDIA ON A NEW TRADE AND TRANSIT AGREEMENT, BUT REMAINS WARY AND WATCHFUL FOR SIGNS THAT THE GOI MIGHT RESORT TO ECONOMIC PRESSURE TO ACHIEVE POLITICAL CHANGE IN NEPAL. BEGINNING WITH THE QUIET VISIT TO NEW DELHI OF THE KING'S POLITICAL ADVISER, DR. TULSI GIRI, SHORTLY AFTER THE IMPOSITION OF THE EMERGENCY, NEPALI LEADERS HAVE INDICATED THAT THEY WELCOME THE NEW STABILITY IN INDIA WHICH, IN THEIR VIEW, SUPPORTS THE CONSERVATIVE TREND IN NEPAL AND REDUCES THE INFLUENCE OF NEPALI CONGRESS PARTY EXILES IN INDIA. THIS ASSESSMENT IS TEMPERED ONLY BY SOME NEPALESE CONCERN THAT THE PERSONAL QUALITIES EVIDENCED BY MRS. GANDHI IN HER DETERMINED HANDLING OF THE EMERGENCY WOULD BODE ILL FOR NEPAL IF THAT COUNTRY EVER RAN SERIOUSLY AFOUL OF INDIAN POLICY AND PERCEIVED INTERESTS. WHILE NEPAL CONTINUES TO GIVE QUIET REFUGE TO THOSE WHO HAVE FLED GANDHI'S INDIA, IT HAS MAINTAINED A FIRM AND EFFECTIVE CONTROL OVER THEIR ACTIVITIES.

3. THE DIALOGUE WHICH BEGAN WITH GIRI'S VISIT HAS CONTINUED THROUGH A VARIETY OF INTERMEDIARIES AND NOW IN THE KING'S MEETING WITH MRS. GANDHI DURING THE UNOFFICIAL STOPOVER IN NEW DELHI SEPTEMBER 30-OCTOBER 1 UPON HIS RETURN FROM YUGOSLAVIA. FOREIGN MINISTER CHAVAN IS ALSO SCHEDULED TO VISIT KATHMANDU LATER THIS FALL. INDIAN EMBASSY OFFICIALS HAVE TAKEN NOTE OF THE GON'S "NEW ATTITUDE" AND APPEAR WILLING TO RECIPROCATE IN CLEARING THE ATMOSPHERE, IF NOT THE SUBSTANCE OF DIFFERENCES BETWEEN THE TWO GOVERNMENTS.

4. NEPAL IS BEGINNING TO MAKE EFFORTS TO OBTAIN INDIAN ASSENT TO THE ZONE OF PEACE PROPOSAL ADVANCED BY KING BIRENDRA DURING THE CORONATION. HOWEVER, INDIAN PRESS NOISES HAVE BEEN BEARISH AND WE ESTIMATE A HARD ROAD AHEAD FOR THE NEPALESE ON THIS PROJECT. MFA OFFICIALS APPEAR SURPRISINGLY OPTIMISTIC ABOUT THE THORNY PROBLEMS ASSOCIATED WITH THE TRADE AND TRANSIT NEGOTIATIONS. THIS OPTIMISM IS GENERATED IN LARGE PART BY THE NEPALESE ASSESSMENT THAT INDIA MUST NOW LOOK INWARD AND WILL

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PAGE 03 KATHMA 04340 01 OF 02 301220Z

HAVE LITTLE TASTE FOR A LONG, DRAWN-OUT FIGHT WITH EVEN A MUCH SMALLER NEIGHBOR. PERHAPS SO, BUT IT STRIKES US THAT INDIA WILL CONTINUE TO PUSH IN THOSE AREAS IT DEEMS IMPORTANT, INCLUDING THE INDIAN DESIRE TO MOVE THE LONG-DELAYED KARNALI HYDRO-ELECTRIC PROJECT OFF DEAD CENTER. SIMILARLY, WE DOUBT THAT THE PERENNIAL ISSUES EMBRACED BY THE TRADE AND TRANSIT TALKS WILL BE AS EASILY RESOLVED AS THE NEPALESE MAY HOPE.

5. SINCE THE ANNOUNCEMENT OF CHINA'S AGREEMENT TO UNDERTAKE THE \$90 MILLION POKHARA-SURKHET ROAD PROJECT, THERE HAS BEEN NO EVIDENCE OF INCREASING PRC INFLUENCE IN NEPAL. ON THE CONTRARY, PRC PROPAGANDA EFFORTS -- LIKE THOSE OF OTHER COUNTRIES-- HAVE BEEN SOMEWHAT CURTAILED BY THE NEW PRESS LAW AND MFA GREATER INSISTENCE ON THE OBSERVANCE OF THE SO-CALLED THIRD COUNTRY RULE. DESPITE ARYAL'S VISIT TO MOSCOW THERE ARE NO SIGNS THAT THE USSR WILL SIGNIFICANTLY EXPAND ITS AID PROGRAMS OR ITS TRADE WITH NEPAL. GON OFFICIALS CONTINUE TO EXPRESS CONCERN THAT SOVIET INFLUENCE IN THE AREA IS GROWING. THE REVOLUTION IN BANGLADESH, WIDELY INTERPRETED HERE AS ENHANCING U.S. AND DIMINISHING SOVIET INFLUENCE, HAS OFFSET THESE FEARS SOMEWHAT AND HAS ALSO CONTRIBUTED TO THE VIEW THAT NEPAL MUST BE LOW ON THE SCALE OF INDIAN REGIONAL PRIORITIES.

6. THE KING'S VISIT TO YUGOSLAVIA HAS UNDERScoreD THE IMPORTANCE NEPAL ATTACHES TO ITS THIRD WORLD ASSOCIATIONS. THE JOINT COMMUNIQUE JUST ISSUED IN BELGRADE CONTAINS NO SURPRISES AND IN ITS HIGH DEGREE OF GENERALITY MAY DENOTE NEPALESE UNWILLINGNESS TO TRAVEL THE MORE EXTREME NON-ALIGNED ROUTE OF TITO ON SOME SPECIFIC ISSUES. THE COMMUNIQUE IS, HOWEVER, INDICATIVE THAT ASSOCIATION WITH THE NON-ALIGNED REMAINS A KEY ELEMENT IN NEPALESE FOREIGN POLICY. WE CONTINUE TO SEE NEPAL'S ROLE IN THE MOVEMENT AS THAT OF A MODERATE, BUT THE IMPACT OF THIS MODERATION HAS BEEN REDUCED BY NEPAL'S RELUCTANCE TO SPEAK OUT. AT LIMA, FOR EXAMPLE, WE UNDERSTAND NEPAL WAS PREPARED TO SPEAK IN FAVOR OF SOUTH KOREA'S ENTRY INTO THE NON-ALIGNED, BUT PULLED BACK AT THE LAST MINUTE BECAUSE OF THE STRONG CONTRARY LINE TAKEN BY YUGOSLAVIA, ABOUT TO BE VISITED BY THE KING, AND FOR FEAR OF ANTAGONIZING THE MORE POWERFUL AND MORE RADICAL NON-ALIGNED STATES. WE UNDERSTAND FROM MFA JOINT SECRETARY BHATT THAT THE GON FILED A WRITTEN CONFIDENTIAL

CONFIDENTIAL

PAGE 04 KATHMA 04340 01 OF 02 301220Z

RESERVATION AT LIMA ON THE PROCEEDINGS OF THE NON-ALIGNED CONFERENCE, REITERATING ITS POSITION THAT IT WOULD NOT NECESSARILY BE BOUHR BY THE DECISIONS OF THE GROUP. BUT WE ARE A LONG WAYS FROM A NEPAL THAT WILL VIGOROUSLY OPPOSE THE STATEMENT OF A SO-CALLED CONSENSUS OF THE NON-ALIGNED, EVEN WHEN NEPAL IS IN DISAGREEMENT ON POLICY GROUNDS.
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PAGE 01 KATHMA 04340 02 OF 02 301226Z

43

ACTION NEA-10

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TO SECSTATE WASHDC PRIORITY 3024

INFO AMEMBASSY NEW DELHI

C O N F I D E N T I A L SECTION 2 OF 2 KATHMANDU 4340

7. THE INTERNAL POLITICAL DEBATE WHICH TOOK PLACE EARLY THIS SUMMER OVER THE ISSUES OF CONSTITUTIONAL REFORM HAS ABATED IN THE WAKE OF THE KING'S DECISIONS TO CRACK DOWN ON STUDENTS, PRESS AND OTHER DISSIDENT ELEMENTS. MANY IN KATHMANDU WERE STRUCK BY THE SWIFTNESS WITH WHICH THE PALACE MOVED AND THERE ARE SIGNS THAT NEW MEASURES WILL BE ENFORCED WITH A TOUGHNESS NOT SEEN IN RECENT YEARS. OTHER AREAS OF THE CLFCKDOWN: VISA REGULATIONS AGAINST FOREIGNERS ARE BEING TIGHTENED UP; NEW REGULATIONS HAVE BEEN ISSUED AGAINST BLACK MARKETEERING, PRICE GOUGING BY RETAILERS AND HOARDING.

8. ALL THESE HAVE BEEN INTERPRETED BY POLITICAL FIGURES AS EVIDENCE THAT THE PALACE IS MOVING TO REASSERT FIRM CONTROL OVER THE DOMESTIC SCENE. AS A RESULT NO ONE HERE EXPECTS THAT CONSTITUTIONAL REFORM COMMISSION WILL RECOMMEND THE KINDS OF SWEEPING CHANGES WHICH HAD BEEN WIDELY -- AND PUBLICLY -- DEBATED EARLIER IN THE YEAR. IT IS NOW EXPECTED THAT THE PALACE WILL ACCEPT SOME SIDENING OF THE FRANCHISE WHILE AT THE SAME TIME STRENGTHENING ITS HOLD THROUGH THE ABOLITION OF CLASS ORGANIZATION REPRESENTATION IN THE PANCHAYAT. AS NOTED, THIS ATTITUDE IS NO DOUBT PARTLY A RESULT OF REGIONAL TRENDS TOWARD MOVE AUTHORITARIAN FORMS OF GOVERNMENT. THE GON SENSES THAT THERE IS NOW LESS LIKELIHOOD OF GOI

CONFIDENTIAL

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PAGE 02 KATHMA 04340 02 OF 02 301226Z

CRITICISM OF NEPALESE SLOWNESSTO ADOPT MORE DEMOCRATIC NORMS OR EVEN OF MOVES IN A REVERSE DIRECTION. WE DO NOT WISH TO

EXAGGERATE THE NEW MOOD OF TOUGHNESS, BUT IT IS A REALITY THAT KATHMANDU'S POLITICAL ELITE HAS BEEN PUT ON NOTICE THAT THE PALACE WILL NOT BROOK SERIOUS EFFORTS TO RESTRICT ITS AUTHORITY.

9. NEPAL CONTINUES TO VIEW ITS GOOD RELATIONS WITH THE UNITED STATES AS AN IMPORTANT ELEMENT BOTH IN THE ACHIEVEMENT OF ITS ECONOMIC DEVELOPMENT GOALS AND AS A MEANS OF DIFFUSING THE SHARPNESS OF THE NEPAL-CHINA-NEPAL-INDIA SET OF INTER-RELATIONSHIPS. FORMER AMBASSADOR KHANAL'S RECENT RISING NEPAL ARTICLE (KATHMANDU 3985) IS A PUBLIC ARTICULATION OF THE VALUE PLACED BY THE GON ON ITS U.S. RELATIONSHIP. FOR NEPALESE, THE AMERICAN PRESENCE IN NEPAL IS SEEN AS A SYMBOL OF OUR WILLINGNESS TO TREAT NEPAL AS A SEPARATE AND SOVEREIGN ENTITY AND THEY HAVE WELCOMED OUR STATEMENTS OF SUPPORT FOR NEPAL'S INDEPENDENT NATIONAL DEVELOPMENT. DESPITE SOME INITIAL NEPALESE MISUNDERSTANDING OF OUR POLICY TOWARD INDIA AS ENUNCIATED BY THE SECRETARY LAST FALL, NEPALESE OFFICIALS NOW APPEAR SATISFIED THAT OUR ASSESSMENT OF THE POLITICAL AND POWER REALITIES OF SOUTH ASIA AND OF THE PRIMACY OF THE INDIAN POSITION DOES NOT FORECAST A REDUCTION OF OUR ROLE IN NEPAL. THE NEPALESE HAVE PROBED GENTLY ON OUR REACTION TO THE ZONE OF PEACE PROPOSAL, BUT ACCEPT THE FACT THAT WE VIEW THIS NECESSARILY AS A MATTER TO BE RESOLVED FIRST AND FOREMOST WITH ITS IMMEDIATE NEIGHBORS. THERE IS A NEW NEPALESE WILLINGNESS TO LOOK AT THE QUESTION OF CONTINUED AMERICAN AID IN THE POST RUPEE PERIOD REALISTICALLY, INCLUDING A NEW REALISM -- IF RELUCTANT -- ABOUT DOLLAR LOANS AS OPPOSED TO GRANTS. THEY WOULD BE READY TO EASE THE TRANSITION BY BEGINNING NOW TO PREPARE FOR INITIAL DOLLAR LOAN PROJECTS.

10. AT PRESENT, AS IN THE PAST SEVERAL YEARS, MULTILATERAL ISSUES OF KEY IMPORTANCE TO THE UNITED STATES CONTINUE TO BE THE MOST SIGNIFICANT AREA OF POTENTIAL DISAGREEMENT BETWEEN THE U.S. AND NEPAL. ON CERTAIN MULTILATERAL ISSUES NEPAL FEARS ALIENATION FROM ITS THIRD WORLD ASSOCIATES IF IT SUPPORTS U.S. POSITIONS PUBLICLY AND FULLY. THE NEPALESE ARE ALSO RELUCTANT TO TAKE POSITIONS OPPOSED TO THOSE ADOPTED BY THEIR TWO BIG NEIGHBORS. WHERE THEY DO DIVERGE FROM INDIA AND CHINA IN UN VOTES, THEY FEEL MORE COMFORTABLE IF THEY ARE IN THE COMPANY OF OTHER SOUTH ASIAN

CONFIDENTIAL

CONFIDENTIAL

PAGE 03 KATHMA 04340 02 OF 02 301226Z

COUNTRIES. THE REAL NEPALESE POSITION ON KEY ISSUES SUCH AS KOREA, THE MIDDLE EAST AND PUERTO RICO IS CERTAINLY NOT REPRESENTED BY THE DOCUMENTATION ISSUED AS A SO-CALLED CONSENSUS OF THE NON-ALIGNED CONFERENCE. THE NEPALESE INTEND THE GENERAL RESERVATION THEY HAVE FILED WITH THE NON-ALIGNED TO ENABLE THEM TO DETERMINE THE POSITIONS NEPAL WILL TAKE INDEPENDENTLY AND ON THE BASIS OF THEIR PERCEPTION OF NEPALESE INTERESTS. ALTHOUGH THIS PERCEPTION WILL INCLUDE IMPORTANTLY THE TWO ELEMENTS NOTED ABOVE, THE NEPALESE WILL ALSO BE MINDFUL OF THE

IMPORTANCE THEY ATTACH TO THEIR RELATIONSHIP WITH THE UNITED STATES. IT IS THEREFORE ESSENTIAL, AS RECENT DEPARTMENT INSTRUCTIONS ON KOREA AND PUERTO RICO ADVISE, THAT WE LET THEM KNOW CLEARLY WHAT MULTILATERAL ISSUES ARE OF CRUCIAL IMPORTANCE TO US AND DISCUSS THESE MATTERS WITH THEM IN DETAIL. ALTHOUGH NEPAL'S GENERAL PERCEPTION WILL CONTINUE TO BE A THIRD WORLD PERCEPTION, AS AMBASSADOR KHANAL PUTS IT IN HIS RECENT RISING NEPAL ARTICLE, NEPAL WILL CONTINUE TO COME DOWN ON THE SIDE OF FRANK DISCUSSION OF DIFFERENCES BETWEEN THE THIRD WORLD AND DEVELOPED COUNTRIES AND OF ADDRESSING PROBLEMS IN A SPIRIT OF ACCOMMODATION RATHER THAN THROUGH CONFRONTATION.
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